

Commerce Bancshares, Inc.
Compliance Department, TB12-1
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November 22, 2010

Delivered via email:
regs.comments@federalreserve.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

RE: Docket Number R-1366

Dear Sir or Madam:

Commerce Bancshares, Inc. is a registered bank holding company with total assets of \$18.8 billion as of September 30, 2010 and one bank subsidiary. The bank is a full-service bank, with approximately 370 locations in Missouri, Illinois, Kansas, Oklahoma, and Colorado and card operations in Nebraska. A full line of banking services, including investment management and securities brokerage is offered. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

We appreciate the opportunity to comment on the interim final rule amending Regulation Z, as published in the Federal Register on September 24, 2010.

The rule as written would appear on its face to be simple to implement. However, due to the limited changes that can be made to the model tables and the limited repayment terms covered by those tables that is not the case. In the interim rule, it is indicated in more than one place that the changes in the regulation were not designed to limit product offerings. However, until such time as clarification or changes to the interim final rule are provided, that will be the result.

In addition, major programming changes to systems are required to implement these new requirements. Not having the needed guidance in advance of the mandatory compliance date, will result in repeated changes which are time consuming and costly. As a result, those costs are ultimately passed on to the consumers in the form of higher interest rates. Therefore, we would request that the mandatory compliance date of January 30, 2011 be extended to second quarter 2011 so that changes can be made once and not multiple times.

The guidance in the Official Staff Interpretations, §226.18(s)(3)(ii) allows a change to “**Total Est. Monthly Payment**” to reflect periodic payments that are not due monthly (e.g. quarterly, semi-annually, annually, bi-weekly). Additional clarification is needed in this section that allows any reference to “monthly” payment in the column headers to also be changed to reflect the periodic payments that are not due monthly.

The instructions in **Regulation Z, Appendix D-Multiple Advance Construction Loans**, states the following:

Part I, A 3. Repayment schedule – The number and amounts of any interest payments may be omitted in disclosing the payment schedule under Section 226.18(g). The fact that interest payments are required and the timing of such payments shall be disclosed.

Part I, B, 3. Repayment schedule – Interest payments shall be disclosed in making the repayment schedule disclosure under Section 226.18(g)

Since Section 226.18(s) would now apply to all consumer purpose loans that are secured by real property, and these references were not changed or referenced in the interim final rule, we ask for clarification on how to disclose a consumer purpose construction loan under the interim final rule.

The model tables in the guidance are for Fixed Rate Mortgages with principal + interest payments, Adjustable-Rate or Step-Rate Mortgages with principal + interest payments, Payment Option loans with negative amortization, and Fixed Interest Only loans with a Fixed interest rate principal + interest payment after the interest only period ends. The following repayment terms can-not be disclosed using the model table formats and guidance provided:

- Adjustable Rate Loan with interest only payments. The interest payments could be other than monthly, the frequency of the interest rate changes could be other than annually, (especially if a construction loan). The term could also be less than the five years. These would have a balloon payment at maturity and no negative amortization.
- Adjustable Rate Loan with an interest only payment which then becomes a fully amortizing variable rate loan. There is no negative amortization for this product.
- Single payment transactions. The interest rate could be fixed or adjustable and there would be only one payment of principal and interest due at the maturity date of the loan.

The guidance for completion of the model tables does not allow flexibility in changing the “Principal + Interest” line to “Interest Only,” or an “Interest Only” line to “Principal + Interest” or to even have both in one table. In addition, the guidance does not allow for removal of columns that would not apply. Therefore, adapting an existing table for the aforementioned repayment terms is not an option. We ask for clarification on how to disclose the aforementioned repayment terms and/or model table formats with instructions that are more flexible.

Again, we thank you for the opportunity to comment.

Sincerely,

Sally J. Feistner, CRCM

Compliance Officer